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Tennessee to receive \$7.2 million in Wall Street Settlement
Historic Settlement Requires Brokerage Houses to pay Fines, Fund
Independent Research and Investor Education

NASHVILLE - (April 28, 2003) –Wall Street firms will pay \$7.2 million to the state of Tennessee under a settlement agreement announced this week between securities regulators and Wall Street firms. The national settlement results from allegations of conflicts of interest at brokerage houses where analysts recommended stocks due to improper influence from their investment banking colleagues.

The \$7.2 million received in the form of penalties will go into the state's General Fund to help balance the state's budget. "These one-time monies will help us fill our \$470.4 million budget imbalance in the current fiscal year," Finance Commissioner Dave Goetz said. "While it doesn't affect our long term budget problems, it will help reduce the amount we will have to take from the state's reserves just to close this year's books."

Daphne Smith, Tennessee's Assistant Commissioner for Securities, said, "This historic agreement represents the closing of a sad chapter in the history of our financial markets. The industry reforms agreed upon in this settlement will provide for more objective research and stronger protections for investors.

"It's our hope that this settlement will change the way business is done on Wall Street and that as a result wary and mistrustful investors will return to our markets."

Under the terms of the settlement, the firms are also required to distribute \$30 million over a period of five years to the Investor Protection Trust (IPT). The money will be used to fund investor education initiatives on the state and national levels.

North American Securities Administrators Association President Christine Bruenn, Securities and Exchange Commission Chairman William H. Donaldson,

New York Attorney General Eliot Spitzer, NASD Chairman and CEO Robert Glauber, New York Stock Exchange Chairman and CEO Dick Grasso, and state securities regulators announced the completion of the enforcement actions Monday, implementing the global settlement in principle reached by regulators last December.

That settlement followed joint investigations of allegations of undue influence of investment banking interests on securities research at brokerage firms, and the enforcement actions announced today track the provisions of the December global settlement in principle.

The ten firms involved in the settlement are:

- Bear, Stearns & Co. Inc.
- Credit Suisse First Boston, LLC
- Goldman Sachs & Co.
- Lehman Brothers, Inc.
- J.P. Morgan Securities, Inc.
- Merrill Lynch, Pierce, Fenner & Smith, Inc.
- Morgan Stanley & Co. Incorporated
- Citigroup Global Markets Inc. f/k/a Salomon Smith Barney, Inc.
- UBS Warburg LLC
- U.S. Bancorp Piper Jaffray Inc.

Tennessee is committed to the settlements negotiated by the lead states and unanimously recommended by the NASAA Board of Directors, of which Smith is a member. Smith said she is looking forward to reviewing and approving the settlement as soon as the papers are received.

In 2001 and early 2002, Congress and the SEC were examining the issue of analyst conflicts of interest. In April of 2002 The New York Attorney General's office announced an enforcement action against Merrill Lynch based on internal emails it uncovered that showed analysts were pressured to issue bullish stock recommendations to please investment banking clients. Soon afterwards, regulators from the states, industry self-regulatory organizations and the SEC formed a joint task force to investigate Wall Street's leading investment banks. In December regulators announced an agreement in principle with the firms. Today's announcement marks the finalization of that agreement.